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## Recommendations

**Recommendation 1. The General Assembly should direct the ABC Commission to create policies and procedures that establish a rationale for administrative penalties, improve transparency for permittees, and report on opportunities and challenges in adopting a throughput-based or sales-based system for penalties.**

As discussed in Finding 1, this report identified issues pertaining to the proportionality of administrative penalties. Of particular concern was the lack of policies and procedures establishing the rationale for applying penalty guidelines. Without these controls in place, subjectivity may be introduced into the administrative process, increasing the likelihood of disproportionality. Further, there is a lack of transparency surrounding monetary fines for ABC permittees. The Commission is not publishing information about the severity of punishments in relation to various violations. Permittees and the public would better understand ABC Commission policy priorities if the Commission publicized penalty guidelines.

To address these concerns, the General Assembly should direct the ABC Commission to develop policies and procedures that provide information regarding when it is appropriate and merited to deviate from penalty guidelines, in addition to providing justification for penalty structures within the compromise process. Any adjustments, including inflationary changes or shifts in prioritization, should include corresponding rationale and documentation. Penalty structures should be made public to ABC permittees, thereby assisting permittees in better understanding the consequences they may face for various violations along with better informing permittees about their options if they enter the compromise process.

Finally, as mentioned in Finding 2, North Carolina does not use a throughput-based or sales-based penalty structure for determining monetary penalties for administrative violations. The General Assembly should direct the ABC Commission to study the opportunities, challenges, and resources needed for implementing such a system and any ramifications such a system would have on the proportionality of penalties on permittees. The ABC Commission should report to the General Assembly on the results of this study by December 1, 2020.

**Recommendation 2. The General Assembly should direct the ABC Commission to establish effectiveness criteria to evaluate future efforts at deterring repeat violations.**

Finding 3 reports on the effectiveness of administrative penalties at reducing the number of violations and repeat offenses. This evaluation represents the first effort in the state to evaluate these effectiveness criteria as they pertain to administrative penalties for alcohol-related offenses. To properly monitor and measure future efforts at achieving policy goals, performance criteria should be systematically collected and periodically reported to the General Assembly. Establishing benchmarks or

goals at the commencement of each ABC Commission annual report would help chart the long-term effectiveness of administrative penalties.

The General Assembly should direct the ABC Commission to include the effectiveness criteria used in this report in its annual reports and presentations to the General Assembly, including

- total percentage of permittees committing a violation and
- repeat offense rate.

These reporting requirements should be included in the ABC Commission's annual report for 2020–21 and every year thereafter.

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## Appendices

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Appendix A: ABC Permits Available in North Carolina

Appendix B: Example of ABC Commission Administrative Violation  
Compromise Offer Letter

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## Agency Response

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A draft of this report was submitted to the North Carolina Alcoholic Beverage Control Commission to review. Its response is provided following the appendices.

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## Program Evaluation Division Contact and Acknowledgments

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